

# NAVAL POSTGRADUATE SCHOOL

## Monterey, California



## THESIS

### KALININGRAD AND BALTIC SECURITY

by

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June 2001

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**KALININGRAD AND BALTIC SECURITY**

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requirements for the degree of

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## **ABSTRACT**

Russia's Kaliningrad Oblast (Region) has a history of being *terra incognita*. In defiance of geographic and historical realities, the Allied leaders of World War II carved the oblast from the northern third of East Prussia and awarded it to Stalin's Soviet Union. As the Soviet empire disintegrated around it, Kaliningrad became lost in the shuffle of a new world order. Its very existence as a Russian exclave within an increasingly interdependent Europe brings the Oblast to the forefront of the Baltic region's future. Kaliningrad plays an important part in the wider pan-European context of regional security and regional stability. Using a traditional state-centric paradigm of definitive interstate borders makes the Kaliningrad riddle impossible to solve. By shifting the paradigm toward regional development and regional cooperation to address common problems, the future security relationship of the Baltic littoral becomes more optimistic.

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## EXECUTIVE SUMMARY

Russia's Kaliningrad Oblast (Region) has a history of being *terra incognita*. In defiance of geographic and historical realities, the Allied leaders of World War II carved the oblast from the northern third of East Prussia and awarded it to Stalin's Soviet Union as a war trophy. During the cold war, the west ignored Kaliningrad and focused instead on the strategic posture of the USSR in the Baltic. As the Soviet empire disintegrated around it, Kaliningrad became lost in the shuffle of a new world order. Today, however, Kaliningrad's time has come. Its very existence as a Russian exclave within an increasingly interdependent Europe brings the Oblast to the forefront of the Baltic's future. Kaliningrad plays an important part in the wider pan-European context of regional security and regional stability. Recognizing this potential threat and following the Finnish lead, Sweden made Kaliningrad a priority of its European Union (EU) Presidency.

Using a traditional state-centric paradigm of definitive interstate borders makes the Kaliningrad riddle impossible to solve. By shifting the paradigm toward regional development and regional cooperation to address common problems, the future security relationship of the Baltic littoral becomes more optimistic.

Security in general, and Baltic security in particular, encompass much more than military power. The North Atlantic Treaty Organization (NATO) is clearly the military force in place that guarantees a secure state structure throughout Europe. The focus on hard security diminished as the cold war ended and World War III no longer seemed to be inevitable. Instead, fears of stagnation and destabilization brought about by soft

security threats such as economic recession, environmental contamination, and health deterioration replaced fears of invasion or nuclear war.

Kaliningrad is a microcosm of the greater Europe-Russia security relationship. The tiny exclave has all the components that cause the greatest consternation among officials on both sides of the continent. Hard security and NATO expansion directly affects Kaliningrad and, therefore, Russia. Kaliningrad is a hotbed of corruption, crime, waste, and disease: all the soft security threats that feed the fears of western states. A successful program of engagement in Kaliningrad may produce a formula for defining a new relationship with Russia as a whole.



# I. INTRODUCTION

## A. THESIS

This thesis addresses a small but important aspect of post-Soviet central Europe. It contends that current statist thinking about the problems posed by the existence of a Russian Oblast in the middle of an increasingly interdependent Europe will inadvertently lead to Kaliningrad's isolation and destabilization. Should Kaliningrad reach such a level of decay, it will create several security threats. Socio-economic degradation will create tensions throughout the Baltic littoral that will stifle development and potentially lead to armed conflict. Four sets of questions will frame the argument:

- How did the geopolitical anomaly of Kaliningrad come to be? What were the assumptions, decisions, and considerations that formed the Russian exclave?
- What are the major sources of tension and debate surrounding Kaliningrad and what are the positions of involved and interested states?
- How are the policies of NATO, the European Union, and the Russian Federation setting the conditions for Kaliningrad's future?
- How will Kaliningrad affect the overall regional security and regional economic regimes currently under construction in the Baltic littoral?

## B. BACKGROUND

Russia's Kaliningrad Oblast (Region) has a history of being *terra incognita*.<sup>1</sup> In defiance of geographic and historical realities, the Allied leaders of World War II carved the oblast from the northern third of East Prussia and awarded it to Stalin's Soviet Union as a war trophy. During the cold war, the west ignored Kaliningrad and focused on the

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<sup>1</sup> Pertti Jeonniemi et al., "The Kaliningrad Puzzle: A Russian Region within the European Union," Copenhagen Peace Research Institute Working Papers, June 2000, 23; available from <https://www.cc.columbia.edu/sec/dlc/ciao/wps/jop06/jop06.html>.

strategic posture of the USSR in the entire Baltic region. As the Soviet empire disintegrated, Kaliningrad became lost in the shuffle of a new world order. Today, however, Kaliningrad's time has come. Its very existence as a Russian exclave within an increasingly interdependent Europe brings the Oblast to the forefront of the Baltic region's future. Kaliningrad plays an important part in the wider pan-European context of regional security and regional stability. Recognizing this potential threat and following the Finnish lead, Sweden made Kaliningrad a priority of its European Union (EU) Presidency.



Figure 1. Kaliningrad<sup>2</sup>

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<sup>2</sup> Available from <http://www.cia.gov/cia/publications/factbook/docs/ref.html>.

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Kaliningrad is a microcosm of the greater Europe-Russia security relationship. The tiny exclave has all the components that cause the greatest consternation among officials on both sides of the continent. Hard security and NATO expansion directly impacts Kaliningrad and, therefore, Russia. Kaliningrad is a hotbed of corruption, crime, waste, and disease: all the soft security threats that feed the fears of western states. A successful program of engagement in Kaliningrad may produce a formula for defining a new relationship with Russia as a whole.

## **C. FROM KÖNIGSBERG TO KALININGRAD**

### **1. World War I**

Modern Kaliningrad is the result of three diplomatic interactions. The first two involve decisions reached at the end of the two world wars; the third encompasses the dissolution of the Soviet Union. A poor understanding of the Soviet system following

World War II by American and British leaders created today's Kaliningrad dilemma. Subsequent "sovietization" of Kaliningrad coupled with political decisions made during the 1989-1991 Soviet breakup guaranteed Kaliningrad's place as a geopolitical anomaly that will continue to create problems throughout the entire Baltic littoral.

From the German perspective, their occupation of the northeast Baltic during World War I was essentially an extension of the Königsberg region of East Prussia. The German army launched ambitious cultural programs to manipulate the many different nationalities under their rule to turn them into passive "client ethnicities" dependent on the Germans for their development.<sup>3</sup> As the tide of the war turned against them, however, they began to warm to the idea of independence for Lithuania, Latvia, and Estonia. German officials believed that they could gain an upper hand at the Brest-Litovsk negotiations with the new Russian Bolsheviks by exploiting the interest in the Wilsonian self-determination that was sweeping Eastern Europe. Support for independent Baltic nations also would stem Polish expansionism. Poland sought to reclaim the boundaries of the old Rzeczpospolita to which Lithuania once belonged.<sup>4</sup>

While Poland was unsuccessful in absorbing Lithuania, the Poles did annex the Vilnius region in October 1920. In response, armed Lithuanians took the Memel (Klaipeda) region from French administrators who were supervising the cordon sanitaire that was to maintain a buffer between Western Europe and the radical Bolsheviks. Ultimately, the Versailles ambassadors dictated a tit for tat solution and established

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<sup>3</sup> Vejas Liulevicius, "Is Kaliningrad Really Lithuania Minor?" Working Papers in International Studies, Hoover Institution, Stanford University, January 1995, 6.

<sup>4</sup> V. Stanley Vardys and Judith B. Sedaitis, *Lithuania: The Rebel Nation* (Boulder, CO: Westview Press, 1997), 24.

borders ceding Vilnius to Poland and Memel to newly independent Lithuania. One part of Kaliningrad's formation was complete: the Versailles boundaries of 1923 would reappear 67 years later.

## **2. World War II**

The next stage of Königsberg's transformation into Kaliningrad takes place during the Second World War. Acting on provisions of the secret Molotov-Ribbentrop non-aggression pact and following Hitler's lead, Josef Stalin invaded Poland in September 1939. Seeking to gain Lithuanian loyalty and consolidate his hold on the tiny state, Stalin returned the Polish owned Vilnius region to Lithuania in exchange for "basing privileges" for the Red Army. In July 1940, after Stalin's communists executed a "synthetic revolution,"<sup>5</sup> Lithuania applied for acceptance in the USSR as the Lithuanian Soviet Socialist Republic (SSR). Immediately Undersecretary of State Sumner Wells published the U.S. position by denouncing, "... the devious processes where under the political independence and territorial integrity of the three small Baltic republics... were to be deliberately annihilated by one of their more powerful neighbors."<sup>6</sup> These events are significant for understanding Kaliningrad. First, Vilnius became a de facto region within both the Lithuanian SSR and later independent Lithuania. Second, the Vilnius region, coupled with the Versailles borders, forms the border between Lithuania and what eventually became Kaliningrad. Finally, these events call into question the actions of western leaders concerning negotiations toward the war's conclusion.

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<sup>5</sup> Vardys, 50. This term applies to the bogus elections that took place in each of the three Baltic republics on 14-15 July 1940.

<sup>6</sup> Ibid., 53.

As the fighting wore on and an Allied victory seemed inevitable, the Big Three began discussions about the future of the European map. First broached at Tehran, Soviet ownership of Königsberg received tacit approval at Yalta and formal acceptance at Potsdam. Roosevelt and Churchill remained noncommittal to Stalin's request during the Tehran conference in 1943 and insisted that territorial issues be decided at the peace talks. Fourteen months later, however, it seemed likely that Königsberg would fall within the Soviet sphere. Describing the US position at the Yalta Conference, then Secretary of State Edward Stettinius remarked, "In regard to German territory to be turned over to Poland we favored limiting this compensation to East Prussia except for Königsberg, which we expected the Soviet Union to request."<sup>7</sup> Finally, in August 1945 during the Potsdam Conference, Stalin asked to have his request for Königsberg granted.

That the allies had to accommodate Stalin's request is indisputable. At Yalta, Soviet commitment to the Pacific campaign at the end of European hostilities was paramount. Fixing Stalin's obligation required creative and tough diplomacy. In a larger sense, the western leaders were very pragmatic. By the time they met in Potsdam, the Red Army occupied the three Baltic States and Poland; establishing the "people's democracies" throughout Eastern Europe was a priority for Stalin and the greatest political pressure on the western leaders was for a unified solution for an independent Poland.

However, the way in which western leaders acquiesced vis-à-vis Königsberg speaks volumes about their view of post war Europe and ignorance about the Soviet

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<sup>7</sup> Edward R. Stettinius, *Roosevelt and the Russians* (Garden City: Doubleday, 1949), 41.

system. A critical flaw revolves around the connivance of the western powers regarding Stalin's "warm-water complex."<sup>8</sup> When Stalin first requested Soviet control over Königsberg at Tehran, he advocated the Soviet need for a warm water port at the expense of Germany. This was the very excuse President Truman used to justify his Königsberg decisions at Potsdam "...by explaining to the American people that it was right to satisfy the age old Russian yearning for an ice-free port."<sup>9</sup> American diplomat George Kennan was incensed. He observed that Russia already had a number of substantially ice-free ports: Ventspils, Liepaya, and Baltiisky. Königsberg was 49 kilometers from the open sea at the end of an artificial canal that freezes several months of the year and requires icebreakers to keep it open.

Such was the power of the Big Three, that they could not only move borders, create spheres of influence, cause millions of Germans to exist or disappear – they could also melt ice at Königsberg. This mutual fantasy was eventually made into a fact in the *Soviet Encyclopedia* of 1953, which declared Königsberg ice-free. Kennan drew an obvious conclusion: If anyone thought, after 1945, that he saw ice in the canal at Königsberg, he didn't."<sup>10</sup>

Extending Kennan's observations to include the three Baltic states reveals another major flaw in the Königsberg decision: those states each have ice free ports of their own. Here the true hypocrisy of the events and poor diplomacy of the decisions appear. Not only was the west willing to ignore their previous rhetoric about the illegal annexations in

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<sup>8</sup> Sir John Wheeler-Bennet, *The Semblance of Peace* (New York: St. Martin's Press, 1972), 326.

<sup>9</sup> Charles L. Mee, Jr., *Meeting at Potsdam* (New York: M. Evans & Co., 1975), 158.

<sup>10</sup> *Ibid.*, 159.

1940 in return for Stalin's cooperation, but they compounded their error when they paved the way for Königsberg to be administered directly from Moscow vice being absorbed by another SSR, specifically Lithuania.

As early as January 1944, Prime Minister Churchill "...mentioned the very strong line which he had taken at the beginning of 1942 against a British commitment in favor of the absorption of [the Baltic] states by Russia at that time... He said that over the past two years his own feelings had altered."<sup>11</sup> He recounted the critical Russian victories during the war and that they were about to expel the last of the Germans and occupy the Baltics. Most importantly, he reiterated the fact that no mention of those states took place at Tehran although any such plan would clearly include them in the Russian dominion.

With the last Wehrmacht withdrawal from the Baltic region in 1944, U.S. Ambassador to Moscow, William Averell Harriman, offered his opinion on the region's future, "It would seem that we should face realistically the far reaching implications of the Soviet position and adjust our policies accordingly."<sup>12</sup> Further, John Hickerson, Deputy Director of Office of European Affairs said, " It is not a question of whether we like it: I personally don't like it although I recognize the Soviet Government has arguments on its side. The point is it has been done and nothing which it is within the power of the United States Government to do can undo it."<sup>13</sup>

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<sup>11</sup> Llewellyn Woodward, *British Foreign Policy in the Second World War Vol. III* (London: Her Majesty's Stationary Office, 1971), 112.

<sup>12</sup> Wheeler-Bennet, 207.

<sup>13</sup> Ibid., 208.



By writing off the Baltics as an inconsequential part of an undifferentiated Soviet mass, ceding Königsberg to Stalin was a straightforward, simple solution. Königsberg was a drop of water absorbed by the Soviet sponge – the simple addition of 15,000 square kilometers to the USSR. Ironically, Moscow was prepared to claim Königsberg on grounds that ethnic Lithuanians once inhabited the region. “This demand proved to be unnecessary, however, since neither Churchill or Truman asked for justification of this annexation to the Soviet Union even when the province was incorporated not into Lithuania but into the distant Russian republic”<sup>14</sup> The first tragedy of Kaliningrad today was its formation as an endogenous part of the USSR.

The western officials viewed Stalin’s USSR as a legitimate and enduring state within the international system. As such, they believed administrative control over Königsberg was irrelevant. This lack of attention to how the Soviet Union operated, its system of “independent” SSRs, its regions, areas, and zones led to the false conclusion that Königsberg’s role within the Soviet system was immaterial. Today’s Kaliningrad dilemma would have been avoidable had the west better appreciated the historical significance of the region and the political organization of the USSR. Incorporating Königsberg into the Lithuanian SSR would have granted Stalin de facto even if not de jure control over the territory.

### **3. “Sovietization”**

For the next 45 years, complete “sovietization” of the region took place. After changing the Oblast’s name to Kaliningrad in honor of Mikhail Kalinin, former President of the Supreme Soviet, Stalin imprisoned or expelled the German inhabitants and

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<sup>14</sup> Vardys, 59.

replaced them with displaced Russians, Belarussians, and Ukrainians. As an integral part of Stalin's five-year plans, Kaliningrad and its neighbors were heavily industrialized and militarized. Shipbuilding, manufacturing and fishing became the major industries. Between 1947 and 1970, production growth in Kaliningrad averaged over 200 percent per year for industry and about 100 percent per year in agriculture.<sup>15</sup> Because there were no new enterprises left to establish and because "scientific-technical reinforcement" of production was rather slow, by the mid-1970s Kaliningrad was only an "average" industrial-agricultural region within the Soviet Union.<sup>16</sup>

Exposed to Western Europe, however, the Soviet Baltic received an inordinate share of resources and enjoyed a living standard relatively higher than other parts of the country. It became a façade, behind which the rest of the decaying society hid. Home to the Soviet Baltic Fleet and the 11<sup>th</sup> Guards Army, at its peak over 300,000 military personnel lived and worked in the tiny region. However, because of the paranoid nature of the Soviet military it remained a restricted area inaccessible to most everyone. By the time of perestroika and glasnost, Kaliningrad was a secretive expanse of the Soviet military-industrial complex. Four decades of Soviet-style "improvements" would make it impossible to undo the miscues of Potsdam.

#### **4. Post-Soviet Kaliningrad**

Unlike the conclusion of the two world wars where a handful of victors divided Europe, the newly independent states of Eastern Europe and the former Soviet Union

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<sup>15</sup> Gennady M. Fedorov, "The Social and Economic Development of Kaliningrad," in *Kaliningrad: The European Amber Region*, ed. Pertti Joenniemi (Aldershot: Ashgate, 1996) 32.

<sup>16</sup> *Ibid.*, 33.

decided for themselves. As the Soviet sphere deflated around it, Kaliningrad's future was hardly in doubt. Early on, some suggested that Kaliningrad become an autonomous region within the Russian Federation or a multi-state condominium or even a fourth Baltic republic. Although Poland, Germany, and Lithuania could make strong historical claims to Kaliningrad, none of them acted. Moscow would view any such move as an open attack on Russia's territorial integrity. Königsberg failed to merit allied attention at the end of WWII; Kaliningrad failed to merit anyone's attention at the end of the Soviet empire.

No border dispute existed with either Lithuania or Poland. The Poles were satisfied with their state carved out after WWII. Newly independent Lithuania revalidated their constitution of 1930 and declared the 1940 elections invalid thus fixing their borders from the former period. For Germany, it was politically impossible to regain Kaliningrad as East Prussia since they were still wrestling with rejoining east and west. Another factor that made Kaliningrad unappealing was its population. The forced immigration of ethnic Russian laborers and engineers during the Soviet period, not to mention the huge number of uniformed personnel, combined with its closed nature, made Kaliningrad more Russian than "Baltic" and certainly not Lithuanian, Polish or German. Ninety four percent of Kaliningrad's population was Russian, Belorussian, or Ukrainian in 1989. Those numbers had not changed in the previous 10 years.<sup>17</sup> None of the states with any legitimate historical claim had any interest in adding 900,000 ethnic Russians to their populations. Further, the huge military presence created a sizable obstacle for

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<sup>17</sup> Ibid., 37.

anyone with aims on Kaliningrad. While Moscow could relocate ground forces, the huge Baltic fleet was another matter. As a military base, Kaliningrad eliminated the need for the Soviets to develop another naval facility of this size and scope in the southeastern Baltic. Even if Moscow had been inclined to move the fleet, there was nowhere to go. Of course, Moscow was not keen on abandoning its investment in Kaliningrad. Economically it produced little. Militarily it was a strongpoint in Soviet, then Russian, defense. Kaliningrad's military role spurred the next topic of concern for its neighbors.

#### **D. FROM FORTRESS TO GARRISON**

As the Russian military evacuated their bases throughout Eastern Europe and the Baltic states, Kaliningrad became home to the bulk of the Soviet era's front line forces. This "buildup" caused consternation among not only Kaliningrad's neighbors but among western powers as well. The most alarmist observers claimed that Russian forces were a clear offensive capability and thus a severe threat to regional stability. Such paranoia arguably played a large part in Poland and the Baltic States' petitions for NATO accession. The contention that Kaliningrad presents a military threat to the region is, however, largely unfounded.

In the 1990s, as personnel and equipment poured into Kaliningrad from points north and west, the Baltic nations ignored the concentration of military assets accumulating in their backyard. As the euphoria of a return to independence subsided and the pragmatism of consolidating and deepening these democracies surfaced, Baltic leaders looked over their shoulders and saw a viable military threat amassed in Kaliningrad. Immediately the cry went out for "demilitarization." Of course, Moscow cried foul. Quite correctly, Russia pointed to the basic European arms control regime, the

Conventional Forces in Europe (CFE) Treaty, to highlight the fact that the military assets in Kaliningrad were well below CFE levels. Having abstained as CFE signatories, the three Baltic States nevertheless attacked Kaliningrad's military posture as threatening and destabilizing. Had any of the three Baltics States joined the CFE regime, the numbers in Kaliningrad would be much lower. Russian military elites insisted that Kaliningrad was a critical asset for Russia's security. Nevertheless, Russia has made "good faith" efforts in reducing its armed forces in Kaliningrad. Table 1 indicates the reductions.

Not only has Moscow reduced the physical numbers of military assets but also several other factors limit Kaliningrad's military punch. First, Russian budget difficulties in general, and the defense budget in particular, have led to an underpaid and demoralized force. Nowhere is this trend more acute than in Kaliningrad Oblast. Soldiers are not only working two and three additional jobs to supplement their income and provide for their families but it is not uncommon to see uniformed soldiers begging on the city streets. Additionally, the perpetrators of the myriad illegal activities that are rampant throughout the Oblast have found a pool of cheap labor in the form of Russian servicemen willing to do whatever necessary to survive. Military officials turn a blind eye because they recognize they cannot offer any alternative to the young conscripts. Second, the proposed 500,000 man draw down scheduled for the next three to five years will further degrade the Russian military in Kaliningrad which will take the largest percentage of cuts along with Siberia and the Far East.<sup>18</sup> As Russia begins to implement a program of

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<sup>18</sup> Alexander Golts, "The Russian Military's Exercises in Futility," *The Russian Journal*, February 24 – March 2, 2001; available from Johnson's Russia List (JRL) News service, Silver Spring, MD.

professional military development and lessen their dependence on conscription, the short-term vacuum created by such a drastic change in personnel structure makes Kaliningrad

<b>Assets</b>	<b>1991</b>	<b>1996</b>
<b>Units</b>		
Armor	2 Divisions	1 Division
Artillery	1 Division	3 Brigades
Airborne	1 Brigade	0
SS Missiles	3 Brigades	1 Brigade
<b>Equipment</b>		
Artillery pieces	677	426
Combat Aircraft	155	28
Tactical Submarines	40	6
Strategic Submarines	2	0
Principal Surface Combatants	39	31
Patrol and Coastal Combatants	150	42
Mine Warfare Platforms	120	60
Amphibious Ships	21	8

Table 1. Changes in Kaliningrad's Military Strength<sup>19</sup>

forces even less threatening. Third, a decline in military preparedness, especially in the Baltic Fleet, limits any potential Russian threat from Kaliningrad. The fleet is incapable of putting even the smallest flotilla to sea for any length of time.<sup>20</sup> The lack of fuel grounded aircraft assigned to the fleet and troops rarely participate in training exercises.<sup>21</sup>

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<sup>19</sup> Alexander Sergounin, "Russia's Regionalization: The International Dimension," Copenhagen Peace Research Institute Working Papers, undated, 7; available from <https://www.cc.columbia.edu/sec/dlc/ciao/wps/sea02/sea02.html>.

<sup>20</sup> During "SailBoston 2000" the *Boston Globe* ran an article about a Russian Navy training vessel participating in the tall ships regatta that actively sought donations of money and food to pay and feed the crew. If a sailing training vessel participating in such a high visibility event cannot be provided for, what is one to believe about the status of Russia's warships?

<sup>21</sup> "Russian Baltic Fleet Aviation Reduces Training Flights Due to Fuel Shortage," BBC Worldwide Monitoring, 18 July 2000; available from <http://infoweb9.newsbank.com>.

The war in Chechnya seems to be the only place for military personnel to hone their skills and it took a private donation from a Kaliningrad executive to build essential base infrastructure in the town of Gusev.<sup>22</sup> Fourth, the new military doctrine issued in 2000 focuses on internal threats. Preventing further disintegration of the Russian Federation now receives a higher priority than exerting Russian influence worldwide. Resource allocation priorities go to efforts at maintaining the federation in its current state. Fifth, tension in the east and south draws Moscow's attention. Sino-Russian relations in the Russian Far East present a greater threat to Russian security than do Russian relations with the west. Of course, the conflict in the Balkans and the Caucasus point directly to physical security threats by way of armed conflict vice the war of words in the west. Moscow has resolved not to allow the Chechen Republic independence. Oil projects in the region promise far greater returns than any economic projects in Kaliningrad and Russia is willing to intervene where they feel appropriate i.e. Georgia and fight where they feel it necessary i.e. Chechnya.

Further, poor economic performance coupled with the growth of criminalization could present a problem for the region. In addition to the social ills described above that are ready for export (HIV, petty theft, organized crime etc.), there have been examples of conventional weapons proliferation as the armed forces sell off their equipment. Aware of the problem, the international community has not emplaced programs or law enforcement methods with which to stem the flow of illegal weapons out of Kaliningrad.

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<sup>22</sup> Untitled, AVN Military News Agency, Moscow, December 28, 2000; available from <http://infoweb9.newsbank.com>.

Its maritime location makes it an ideal site for the export of such weapons; to date, Russian authorities cannot or will not enforce control.

Table 2 depicts the current force levels in the Baltic Littoral. In comparison to neighboring countries, Kaliningrad hardly represents a military threat. Of course, by adding nearly 800,000 Russian soldiers from other parts of the Federation, the numbers can look more intimidating. Proponents of Kaliningrad’s demilitarization and its role as a regional military security threat do not argue that the entire Russian army is a threat – only Kaliningrad forces. These are hardly the forces capable of executing a Blitzkrieg through the Baltic littoral and recreating either of the monumental “Battles of Tannenberg.”

Country	Armed Forces Strength	Armored Vehicles	Combat Aircraft	Major Naval Vessels
Poland	240650	4318	325	13
Sweden	53100	2604	253	24
Finland	31700	1293	85	11
<b>Kaliningrad</b>	<b>18000</b>	<b>1790</b>	<b>112</b>	<b>12</b>
Lithuania	10130	38	0	2
Latvia	5730	15	0	0
Estonia	4800	39	0	0

Table 2. Force Comparisons Among Selected Baltic Nations<sup>23</sup>

There are now some 18,000 active military personnel in Kaliningrad. There is no sense at all that the military establishment is a threat, either to neighboring states or to the existing social order in Kaliningrad. The military no longer has a “Soviet” attitude, but

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<sup>23</sup> Jussi S. Jauhiainen, “The Conversion of Military Areas in the Baltic States,” *The NEBI Yearbook 1999*, ed. Lars Hedegaard (Berlin: Springer-Verlag, 1999), 331.



on the contrary shares the attitudes of the population in general.<sup>24</sup> While their role as a military force charged with national defense remains unchanged, gone is the massive secrecy and closed military society that formerly surrounded Kaliningrad as one of the USSR's premier forward operating bases. From being an area of great strategic interest to military specialists during the cold war by virtue of its geographic position and its role as a forward operating base for the Soviets, Kaliningrad is now a moderate military facility without any real capability for uncoordinated offensive action. Militarily, Kaliningrad is to Russia what Hawaii is to the United States: a nationally strategic asset of interest to enemies but incapable of executing, much less sustaining, a military operation against its neighbors.

With its territoriality largely undisputed and its military capabilities no longer a credible, offensive threat, Kaliningrad may look poised to be a stable entity within the Baltic littoral. However, the Oblast plays a significant role in the overall security picture of the region. Potential confrontation surrounds Kaliningrad and NATO expansion because NATO expansion threatens to further cut off Kaliningrad from Moscow. Many destabilizing socio-economic security threats to the region emanate from the Oblast. To avoid these confrontations and to reduce these threats requires an active, aggressive action plan between Russia and the Western European actors involved.

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<sup>24</sup> Chris Donnelly, "Kaliningrad from a Security Perspective," in *The EU and Kaliningrad*, eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000) 211.

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## **II. REGIONAL SECURITY**

### **A. HARD SECURITY**

Hard security is that posture necessary to protect the territorial sovereignty of a state. Soft security is those socio-economic issues that plague all nations and can destroy states from within. Hard security generally involves military and paramilitary forces, collective defense and collective security alliances, and weapons of mass destruction (WMD) including the politics and strategies they require. Soft security is a broad concept that encompasses the complete spectrum of nonmilitary threats to a region or state. Soft security normally deals with the environment, public health, crime, immigration, illegal trade etc.

#### **1. NATO's Open Door**

Western observers generally agree that Kaliningrad no longer poses a significant military threat and that the Oblast is of little military value. Based on traditional security thinking, the territory and its forces cannot pose a serious offensive threat. The forces in the region, recently reorganized, are clearly defensive in nature. Even Russian military elites openly admit that territorial defense is the Kaliningrad forces' mandate. Their new organization, somewhat similar to the U.S. Marine Corps Air-Ground Task Force (MAGTF) concept combines all the forces, regardless of branch, under a unified commander. In the case of Kaliningrad, that Commander is the Baltic Fleet Admiral. Interestingly the name of the "new" organization remains the "Baltic Fleet." "From now on the Baltic Fleet will consist of well balanced units including ships, sea aviation, air

defense facilities, coastal and ground troops of various types, classes and subclasses, under the unified command of the operative, technical and rear provision control.”<sup>25</sup>

Thus, if Kaliningrad has transformed from a fortress to a garrison, and the remaining military organization is clearly a defensive one, is there a hard security problem vis-à-vis Kaliningrad? Simply answered: yes. The answer comes when one looks not at Kaliningrad and its military role in the Baltic, for that role is extremely limited, but at what kinds of hard security issues are unfolding all around Kaliningrad. The most important is NATO expansion.

That NATO’s door is open to all nations in Europe is indisputable. Every diplomat from President Bush to Lord Robertson has reiterated the North Atlantic Alliance’s position. In a speech at Vilnius University in July 1997, former Secretary of State Madeleine Albright said, “...that the whole NATO expansion process will not be complete until all the democracies in Europe are part of it.” Of course, at that time, she was referring directly to Poland, Hungary, and the Czech Republic. As recently as October 2000, Undersecretary of State Thomas Pickering stated, “We are determined to keep the doors to our core institutions open to democracies that can contribute to our overall security, prosperity and freedom.”<sup>26</sup> And in particular reference to the three

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<sup>25</sup> Valery Gromak, “The Western Outpost,” *Krasnaya Zvezda*, 10 December 1999; available from JRL News service.

<sup>26</sup> Speech by Thomas Pickering available from <http://www.usis.usemb.se/wireless/500/eur508.htm>

Baltic States, the Political Committee of NATO stated that, "...Lithuania is the forerunner in the next round of NATO expansion."<sup>27</sup>

Of course, Russia's position is quite contrary. According to Russian President Vladimir Putin, "...Russia's stance is that we oppose the expansion of NATO. I don't understand well at all the role of NATO today. After all NATO was created as a counterweight to the Soviet Union and the eastern Bloc. Today there is neither the Soviet Union nor the Eastern Bloc...the causes which gave rise to NATO no longer exist. But NATO exists and is expanding toward our border."<sup>28</sup>

## **2. NATO and Kaliningrad**

Moscow opposes NATO's expansion in general; but expansion concerning Kaliningrad highlights the Russians' fears. Whether or not those fears are rational or justified depends on which end of Europe one resides. Three arguments are most compelling for NATO expansion vis-à-vis Kaliningrad. First, not only will NATO touch Russian borders but also the nature of Kaliningrad's geography will send a strong signal that the west is merely looking to isolate and exclude Russia from the rest of Europe. Second, the similarities with the Cuban Missile Crises are striking; there is reason to believe that Moscow can apply the same logic used by President Kennedy in 1962. However, this time the final act may not be so beneficial for the west. Finally, the physical isolation of Kaliningrad will create another "Berlin Scenario"; physically cut off from mainland Russia, Kaliningrad will become a vulnerable exclave to Russia or

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<sup>27</sup> "NATO Political Committee Says Lithuania Ready," RFE/RL, 26 November 2000; available from <http://www.rferl.org>.

<sup>28</sup> "Russian President Reiterates Concerns at NATO's Expansion," BBC Monitoring, 29 October 2000; available from <http://infoweb9.newsbank.com>.

enclave within NATO. This vulnerability places Kaliningrad in an untenable strategic position as a NATO “enemy” surrounds the oblast.

*a. Isolation*

Once the Soviet Union dissolved, former Russian President Boris Yeltsin believed western societies would immediately see Russia as different from the Soviet Union and would quickly distinguish between the two. In fact, to this day that distinction is lost on many people and, unfortunately, some influential diplomats and politicians. Western nations, especially the United States, did not embrace Yeltsin’s Russia rather they shunned it. Only partly due to ignorance, most of the western indifference stemmed from internal Russian corruption in privatization plans, heavy handed Soviet style politics and the economic collapse of the ruble. Investment dried up, promises went unfulfilled, and diplomacy became a synonym for polite conversation.

NATO has exacerbated this problem for Russia. When Boris Yeltsin agreed to the round of NATO expansion that included Poland, Hungary, and the Czech Republic, he did so with the understanding that the west would embrace the good faith efforts of the Russian Federation. Moscow tacitly accepted the last round of enlargement after NATO provided Russia with a number of political and military concessions. The NATO-Russia Charter (or Founding Act) signed in Paris on 27 May 1997 legitimized a broadening of NATO including an increased presence in the Baltic rim and it justified Russia’s territorial defense of Kaliningrad.<sup>29</sup> The Charter specifically states that, “The Member States of NATO reiterate that they have no intention, no plan, and no reason to

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<sup>29</sup> Joenniemi, “Kaliningrad Puzzle,” 8.

deploy nuclear weapons on the territory of new members.”<sup>30</sup> Additionally, it calls for adapting the Conventional Forces in Europe (CFE) treaty as soon as practical to ensure military strength remains commensurate with the needs of overall European security. Implicitly it means NATO will not permanently station formations of non-indigenous troops within new member states as a matter of policy.

As NATO prepares for the next round of expansion, it is disregarding Russian objections to the process. Moscow interprets the NATO attitude as a blatant attempt to minimize the Federation’s role in geopolitics. President Putin further articulated this view, “Ten years ago we decided, for some reason, that everyone heartily loves us. But this turned out to be wrong. We have to clearly understand our national interests, spell them out and fight for them.”<sup>31</sup> According to Moscow, both the Baltic States and Kaliningrad have come to symbolize western disdain for Russian security with NATO courting the former at the peril of the latter. The west is ignoring Russian concerns; thus, Moscow views these actions as attempts at isolating and weakening the Russian state. Founded in fact or not, Russian nationalists paint a dim picture of western opinion regarding Russia. NATO’s attempts at including Russia in the European collective security regime have meant only partnership as opposed to membership. This distinction may seem subtle on the surface but for proud, nuclear-armed Russia, it is significant. Limited partnership is one step below where Russians believe they deserve to

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<sup>30</sup> “Founding Act on Mutual Relations, Cooperation and Security between NATO and the Russian Federation,” available from <http://www.nato.int/docu/comm/m970527/uk-text.htm>.

<sup>31</sup> Geoffrey York, “Bush, Putin seen headed for trouble over missiles,” *The Globe and Mail*, 8 Jan 2001; available from JRL News service.

be. The Russian perception is one of a new division of Europe and a return to bipolarity. NATO appears to see an enemy in the east – no longer the Soviet Union but her successor state, Russia.

*b. Another Cuba*

NATO expansion that not only surrounds Kaliningrad but also creates abutting borders with mainland Russia will create an untenable security situation in the region. Much like America could not tolerate the presence of Soviet nuclear missiles on the island of Cuba, so too will NATO forces at Russia's doorstep create an unparalleled security threat for Moscow. According to the Russian military, the current array of forces in NATO and the Baltic region makes Kaliningrad indefensible. Should NATO expansion include Lithuania and thus surround Kaliningrad, the Russian military contends that it will be impossible to prevent NATO from simply overwhelming Kaliningrad. Should Moscow respond to Kaliningrad's NATO encirclement with the same vigor President Kennedy did in response to Soviet weapons on Cuba, the impact can be devastating for myriad reasons ranging from mild, like a setback in U.S./NATO - Russia relations to explosive, like an armed conflict.

There are, however, two caveats to this analogy. First, American and Russian experiences with homeland vulnerability are quite different. Soviet missiles in Cuba were an unprecedented and highly visible threat to Americans. Regardless of the fact that ballistic missiles could reach the continental United States from myriad points in the Soviet Union, their presence in Cuba, only 90 miles from U.S. soil, created panic. Russians, however, have become accustomed to the close proximity of threatening neighbors. Second, Khrushchev intended the Cuba deployment to shift the strategic



nuclear balance away from U.S. numerical superiority by placing some of the few Soviet missiles closer to the United States. Although NATO expansion into the three Baltic States will not shift the global strategic balance, the thought process currently underway within the foreign policy branches of both Moscow and Washington is strikingly similar to that in 1962.

Russia seems convinced that NATO has targeted vulnerable Kaliningrad for an impending invasion. The Russian military deployed their most advanced surface to air missile, the S-300, in greater density than anywhere else in the Federation. Additionally, in the summer of 1999, Russia conducted the Zapad-99 or West-99 military war game that simulated a NATO attack against Kaliningrad. During the maneuvers, Russia's forces resorted to nuclear strikes and cruise missile attacks throughout Europe and the United States. The use of tactical nuclear weapons during West-99 supports U.S. defense analyst's assessment that Russia views these tactical weapons as war fighting arms in contrast to its strategic nuclear weapons that serve primarily as deterrent forces.<sup>32</sup>

In an eerie reenactment of 1962, the *Washington Times* unleashed accusations of a Russian tactical nuclear weapons deployment in Kaliningrad as early as June 2000.<sup>33</sup> While the United States steadfastly supports the claims of its intelligence reporting, Russia remains in complete denial. Since 1995, Moscow has threatened to station tactical nuclear weapons in Kaliningrad and it appears they have made good on their promise. A document titled "A Concept of Actions Against Threat to National

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<sup>32</sup> Bill Gertz, "Russia Transfers Nuclear Arms to Baltics," *Washington Times*, 3 January 2001; available from JRL News service.

<sup>33</sup> Ibid.

Security of the Russian Federation” prepared by the Defense Research Institute in Koroliov proposed to deploy tactical nuclear weapons in Belarus, Kaliningrad and on ships of the Baltic Fleet.<sup>34</sup> Since Moscow denies the U.S. claims, the exact motivation for such a move is unclear.

Impending NATO expansion to the Baltic States and Kaliningrad’s subsequent isolation presents a clear security threat to Russia just as Soviet missiles on Cuba presented an intolerable threat to the U.S. Using strong-arm diplomacy, Moscow deployed nuclear weapons to Kaliningrad to first demonstrate the seriousness of Russia’s opposition and, second, to deter the Baltic States from joining the Alliance for fear of repercussions.

Unfortunately for Russia, the west detected the weapons move before Moscow could play its political hand that was most likely designed to create leverage for dissuading NATO expansion. Instead, the move created unintended consequences by reinvigorating the Baltic drive for NATO membership. Latvian Defense Minister, Girts Valdis Kristovkis stated, “In the end it will leave the impression among western policy makers that the Baltic States have no basis to trust Russia. Russia is showing that their security policy is unpredictable and deceptive.”<sup>35</sup> The deployment puts the issue of Baltic membership in NATO high on their agenda and bolsters their case for inclusion.

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<sup>34</sup> Algirdas Gricius, “Russia’s Exclave in the Baltic Region.” in *Kaliningrad: The European Amber Region*, ed. Pertti Joenniemi (Aldershot: Ashgate, 1998) 171. Gricius acknowledges that although Moscow does not recognize the Defense Research Institute, it does have ties with Russian Military Intelligence.

<sup>35</sup> “Russian nukes in Kaliningrad puts Baltics’ NATO bid back on front burner,” Agence France Press (AFP), 8 January 2001; available from JRL News service.

### *c. Berlin Revisited*

The final argument against NATO expansion is perhaps the most plausible. With Lithuania's accession to NATO, Kaliningrad will be "cutoff" by the Polish-Lithuanian border. Once cutoff, even the smallest naval force can prevent access by sea and Kaliningrad's physical isolation will be complete. Almost effortlessly, NATO could strangle Kaliningrad.

This helps to explain why the Russians are so hostile to the NATO expansion into the Baltics. If the Baltic States do become members of NATO, it is likely that the Russians will demand secure lines of communication from their main territory to Kaliningrad. For their part, Poland and Lithuania are very sensitive to the issue of transit. "‘This is a substantive argument,’ insists Marek Karp, director of the Center for Eastern Studies. Russia could tell NATO that ‘...our military transport passes through Poland, and thus the presence of NATO in this zone threatens our transport lines, threatens our garrison in Kaliningrad.’”<sup>36</sup> It is difficult to understand how the Baltic region could remain stable if Russia were not assured of some reliable land lines of communication with Kaliningrad, which must involve transit through either Poland or Lithuania.

The military is also concerned about the proximity of NATO and Russian forces should Lithuania join. "The expansion of the NATO zone of responsibility to the East will create a situation similar to what we had during the Cold War, when the confronting groups of forces were deployed against each other and were maintained at a high level of combat readiness for attack," Colonel General Igor Rodionov, then Russia's

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<sup>36</sup> Stanley Kober, "NATO Flashpoint No. 3: Kaliningrad," *Foreign Policy Briefing*, No. 46, Cato Institute, 12; available from <http://www.cato.org/fpb/fpb-42.htm>.

defense minister, told a meeting of NATO defense ministers in Bergen, Norway, in September 1996. He continued, “The Russian forces deployed in the [sic] Kaliningrad region will come in direct contact with the joint armed forces of NATO.”<sup>37</sup>

People who think that another “Berlin scenario” will be manageable, just as fighting was avoidable during the Cold War, should remember that Berlin is not the only precedent. Germany's pretext for war against Poland in 1939 focused on Danzig, an ethnic German city then separated from the German heartland by Polish territory. The ostensible reasons for war then were uncomfortably similar to the situation that exists today: the status of an exclave (then Danzig, now Kaliningrad) and the treatment of ethnic minorities (then Germans, now Russians.) Worrisome, indeed, would be a Russian position that a “Kaliningrad corridor” is vital to the survival of Russian citizens in the Oblast. Should Moscow cloak this argument in the name of human rights, then the issue becomes that much more volatile and diplomatically dicey.

Another danger is confrontation arising out of a genuine misperception. The danger inherent in political games around the Baltic states is that both NATO and Russia will have to bluff to reach their aims, and may misinterpret the intentions of each other and thus provoke a conflict. The debate surrounding the tactical nuclear weapons in Kaliningrad further supports the danger of misperception vis-à-vis Kaliningrad. Without open dialog on this issue, each side will engage in the all-too-familiar cold war bluff and rhetoric tactics.

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<sup>37</sup> Richard J. Krickus, “U.S. Foreign Policy and the Kaliningrad Question,” Columbia International Affairs Online Working Papers, 1998; available from <https://www.cc.columbia.edu/sec/dlc/ciao/wps/krr01/krr01.html>.

### **3. Rational or Irrational Fears?**

Russian fears about NATO expansion and Kaliningrad are irrational for several reasons. First, to gain Russian support for the last round of NATO expansion, negotiators for both sides painstakingly worked to find language and concessions that met their military and political priorities. There is no reason to believe this same process cannot work again during the next round. Unless President Putin is unwavering in his pessimistic opinion about the west's views toward Russia, his early record points toward cooperation and not confrontation. Of course, Russia's domestic politics are difficult to predict and unless President Putin can build strong support, he may not enjoy the same power monopoly his predecessor built. Further, the Russian military continues to wield significant influence in Russian politics. Should they prevail in convincing Russian nationalists that NATO expansion does indeed pose a clear and present danger to Kaliningrad, it is unlikely that Brussels and Moscow can reach a satisfactory agreement. One possible tempering factor to the military's influence may be the recently elected Governor of Kaliningrad Oblast, Admiral Vladimir Yegorov, former commander of the Baltic Fleet and Putin ally. Yegorov straddles both the military and political front when it comes to Kaliningrad. Should Putin wish for a negotiated settlement, Yegorov's political loyalty to Putin and his influence as a senior military commander may garner enough popular support to reach an agreement.

Second, NATO can allay Russian fears by reemphasizing the "no nukes" policy in the 1997 Founding Act. Further, there is no need to station non-indigenous troops in any of the Baltic States. Assuming NATO asks the Baltic States, specifically Lithuania, to join the alliance, their defense will rest in Article V deterrence alone. Drawing a parallel

with West Germany during the cold war, western opponents to NATO expansion use the argument that NATO cannot defend the Baltics without troops physically positioned throughout the region. Looking strategically and operationally, NATO could not defend the Baltic States from a Russian offensive *with* troops on the ground. The Russian military, even in its disheveled state, could run over the Baltic defense forces and reach the sea in a matter of hours. With sheer mass they would overwhelm any defenders – whether or not they wore NATO patches on their sleeves. The only thing saving the Baltics is the threat of severe repercussions by NATO against an aggressor – namely Russia. Therefore, NATO need not station troops on the territory of those states protected by Article V of the Washington Treaty. Deterrence alone must suffice.

Third, a shared NATO-Russia border that surrounds a small piece of Russian territory causes military planners great consternation. Not only is Kaliningrad vulnerable to outside attack, its utility as a military base will diminish once access becomes more restrictive. NATO should tie the access question to the accession of new members. NATO already insists upon resolution of all border disputes before they will proffer any membership invitation. A dispute over crossing borders and transiting through another's sovereign territory can, and should, fit into this prerequisite of membership. Directed mostly toward Lithuania, NATO can apply the same criteria to Estonia and Latvia to demonstrate consistency and sensitivity to Russian transit concerns. Additionally, Poland should be encouraged to embrace similar initiatives since they, too, share a border with Kaliningrad and access through Poland is another attractive option for Russia.

As NATO struggles to redefine its role in Europe, soft security concerns present a much more pressing dilemma for both the Atlantic Alliance and Russia. Having

demonstrated a willingness to not only participate in but also lead peace operations, NATO has opened an entirely new door of roles and missions. Dealing with the perverse trade in women, arms, and drugs that permeate the Baltic littoral (and have Kaliningrad as a hub) makes NATO intervention to arrest such actions an interesting question. Although very unlikely, NATO could take on the role of Europe's policeman and tackle a wide range of non-military operations – drug enforcement, arms smuggling, and prostitution. Nevertheless, each of these soft security concerns threatens the individual states and destabilizes the region. Soft security concerns are a much greater threat to Baltic stability than armed conflict and territorial incursions; the source of many soft security problems around the Baltic is Kaliningrad.

## **B. SOFT SECURITY**

Debates on Baltic security issues no longer pertain exclusively to hard security and regular, interstate armed conflicts. They also encompass many non-defense, soft security issues like the environment, crime (including organized crime), and public health. These are the “new security threats” of the post-bipolar world. Kaliningrad reflects a paradox that soft security issues tend to increase once defense related issues decline in salience.<sup>38</sup> While the NATO enlargement question presents significant challenges, the real threat of military conflict in the Baltic littoral is extremely low. Member states surrounding the Baltic Sea recognize this fact; therefore, they have turned their attention to the soft security issues that threaten their prosperity and play a

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<sup>38</sup> Joenniemi, “Kaliningrad Puzzle,” 10.

significant role in the health of Russia-Baltic relations. Figure 2 highlights the European perception of the impact of these soft security threats over the next ten years.

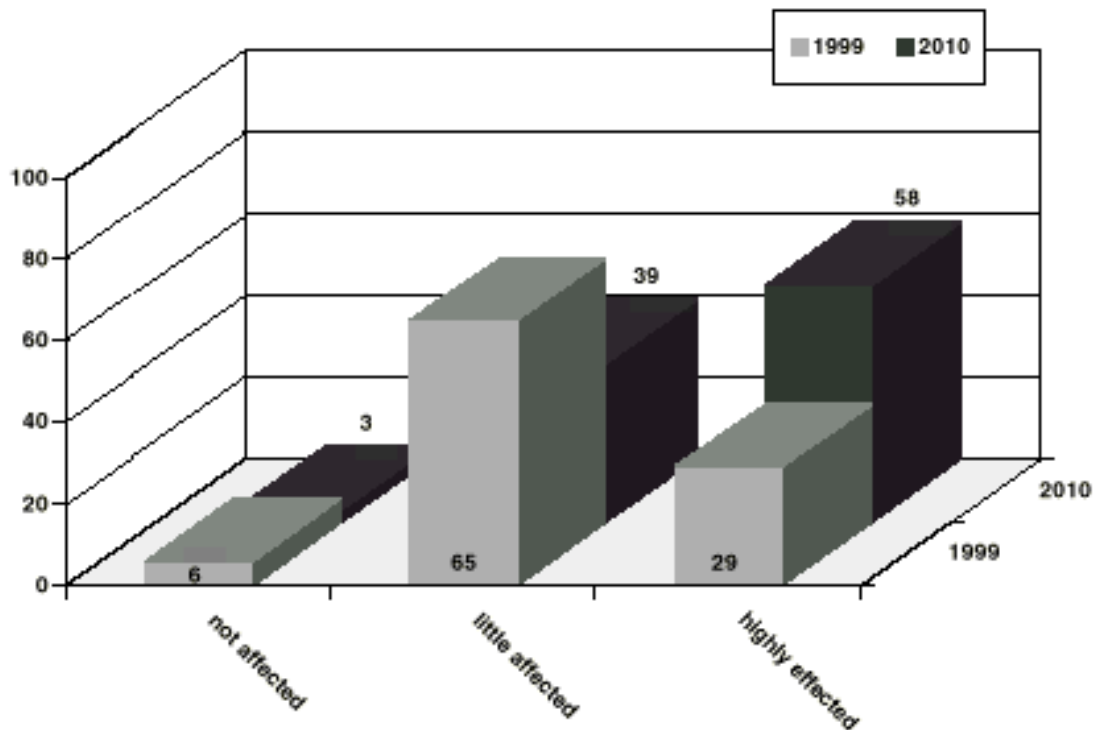


Figure 2. Effect of soft security threats on Europe<sup>39</sup>

Kaliningrad's social and environmental problems threaten its neighbors. Kaliningrad has a reputation for high levels of crime, including organized crime. There is smuggling in amber, alcohol, and cigarettes; drug trafficking; and a gray economy in second-hand and stolen cars. Environmental pollution is threatening: Kaliningrad discharges approximately 253 million cubic meters of human and industrial waste – two

<sup>39</sup> Jochen Prantl, "Security and Stability in Northern Europe – A Threat Assessment," Program on the Northern Dimension of the CFSP, 29; available from <http://www.upi-fiia.fi/wp25.pdf>.



thirds of it untreated - into the Baltic Sea annually. The Oblast is now a major center for HIV/AIDS. Official statistics indicate nearly 3,000 cases of AIDS while experts estimate that it may be as much as 6-8 times higher.

Kaliningrad has the highest level of infection anywhere in Russia.<sup>40</sup> Additionally it has the second highest rate of drug related crimes, and is first in Europe in confiscated drugs. Death by alcohol poisoning is an unbelievable 70% higher than the Russian average. From 1971 until 1997, life expectancy dropped by 8 years and more people are dying there than are being born. The population has grown slowly, however, because of immigration.<sup>41</sup> Easy access to Poland and Lithuania is an attractive incentive for relocating to Kaliningrad.

### **1. Environment**

The Baltic Sea is particularly sensitive to environmental problems because of its cold temperature and low salinity. Industrial and municipal wastewater plants discharge wastewater directly into rivers and seas. Heavy metals and persistent organic pollutants from agriculture, urban centers, and the combustion of fossil fuels accumulate in the sea where eutrophication and algae blooms choke sea life and seriously threaten the fishing industry in which every Baltic nation participates. Additionally, the density of the chemical pollutants contaminates a significant portion of the sea life in the food chain

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<sup>40</sup> James Baxendale and Stephen Dewar, *The EU and Kaliningrad*, (London: Federal Trust for Education and Research, 2000) 16.

<sup>41</sup> Krickus, 11.

that subsequently puts the health of Kaliningraders and their neighbors at risk.<sup>42</sup> The availability of safe drinking water poses a problem in some parts of the region due to soil contamination and lack of sanitation; emissions of sulfur dioxide, nitrogen oxides, and toxic substances cause trans-boundary air pollution that, like water pollution, impacts many Baltic States around Kaliningrad.

In view of the past military presence in Kaliningrad, there may be problems relating to the disposal of nuclear waste and chemical weapons stockpiles. Although the serious nuclear threat stems from over 200 unused reactors in the Kola Peninsula, for Kaliningrad to dispose properly of its nuclear waste and unwanted chemical weapons, it must cross the Baltic Sea or neighboring Lithuania and/or Poland to reach appropriate sites. Either way, nearby states object to Russian contaminants on or near their territory.

## **2. Organized Crime**

In Kaliningrad, the mafia operates openly and extensively. “The demoralization of the large military garrison means that many gangs are either run by or allied with criminal officers. As a result, weapons are freely available and military transport links routinely misused for smuggling.”<sup>43</sup> Heavily armed, well organized criminal gangs capable of transporting drugs, arms, and nuclear materials beyond the shores of the Baltic Sea represent a serious international security problem and are a disincentive to outside investment. The Oblast’s immediate neighbors— Poland, Lithuania, and the Nordic

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<sup>42</sup> “The EU and Kaliningrad,” Communication from the Commission to the Council, 21 January 2001, 12; available from [http://europa.eu.int/comm/external\\_relations/north\\_dim/doc/com2001\\_0026en01.pdf](http://europa.eu.int/comm/external_relations/north_dim/doc/com2001_0026en01.pdf).

<sup>43</sup> *Jane’s Sentinel*, “Russia and the CIS,” July 1996; available from JRL News service.

countries fear that criminal gangs may grow in power and operate much like the drug cartels do in many parts of Latin America.

Trafficking in human beings, drugs, stolen vehicles, illegal migration, and prostitution are all present. According to official statistics, the level of crime is 20 percent higher than the Russian average for organized crime and for crime by minors and by people acting under the influence of alcohol.<sup>44</sup> Organized crime has a pervasive negative effect on the business and investment climate. Criminality, linked to corruption, poses a threat to economic development and the development of a democratic system governed by the rule of law.

Crime in Kaliningrad thrives on weak institutions. Many critics believe the Oblast's special economic arrangement is a massive inducement to crime, corruption, and smuggling. However, many countries have similar economic programs and, despite the inducements to criminality that such regimes may contain, manage nonetheless to deal with the issue.<sup>45</sup> Further, Western observers who have attempted to chronicle serious smuggling through Kaliningrad have highlighted such merchandise as drugs, weapons, prostitutes, illegal immigrants, and radioactive materials such as plutonium as the targeted merchandise for smugglers. None of these items has any connection with the legitimate economy supported by the special economic zone. Due to its geographic

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<sup>44</sup> Communication from the Commission to the Council.

<sup>45</sup> Stephen Dewar, "Myths in the Baltic," in *The EU and Kaliningrad* eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000) 188.

location, Kaliningrad is well positioned on the international smuggling trail, and appears to be fulfilling that role successfully.<sup>46</sup>

Large-scale smuggling is prevalent in such commodities as cars, cigarettes, and alcohol and the gangs responsible frequently resort to violence to promote and protect their interests. Kaliningrad's special economic arrangement has helped these groups gain access to these products; not having to pay excise duties motivates the criminal behavior. If the region's administration decides to end the economic program in the name of eliminating the smuggling problem, the gang activities will most likely move to the black market.

There is evidence that organized crime penetrated the administration of former Kaliningrad Governor Leonid Gorbenko. After three years of miserable results in attracting foreign investment, Gorbenko reportedly sold the rights to Kaliningrad's oil and amber deposits to a company headed by his "friends."<sup>47</sup> Subsequent to Gorbenko's defeat in the November 2000 election, Moscow repealed the deal. However, it still appears clear that the long arm of the mafia reached inside the regional administration.

### **3. Public Health**

The greatest soft security threat for the Baltic littoral is the poor state of public health in Kaliningrad and other parts of northwest Russia. While public health services in Kaliningrad are close to the Russian average, the system lags behind western health care standards. Diseases such as tuberculosis, diphtheria, measles, and epidemic

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<sup>46</sup> Ibid.

<sup>47</sup> Gary Peach, "Kaliningrad Governor Lets Unknown Devour It All," *Moscow Times*, 15 February 2000; available from LEXIS-NEXIS.

paratyphoid are widespread. Tuberculosis is becoming multi-resistant. Neither Moscow nor the Kaliningrad regional administration has dedicated the human or financial resources to combat these diseases. Drug use and prostitution have led to the spread of other communicable diseases. Kaliningrad is among the worst regions in Russia for registered cases of HIV, and is by far the most affected area in the Baltic Sea region with the highest rate of new cases.

Between 1999 and 2000, the number of *registered* HIV positive cases in Russia quadrupled from 15,562 to 80,300. Experts believe the actual number is ten times higher. Russia will have over 1 million infected residents by the end of 2001.<sup>48</sup> Accurate statistics on the number of HIV positive Russians are difficult to come by. The truly alarming figure is not the number of registered case but the huge increase in the rate of reported cases. The infection rate, extrapolated across the population and high-risk groups, is what makes this epidemic so catastrophic.

Self-destructive behavior and inadequate intervention or education is producing “self genocide”; the Russian HIV epidemic threatens to wipe out a large portion of an entire generation. “Unlike the early stages of the AIDS crises in the West, HIV in Russia is spread among the country’s burgeoning population of intravenous drug users – an estimated 2 to 3 million nationally.”<sup>49</sup> The majority of these drug users are between 18 and 30 years old. A large percentage of that group comes from middle and upper class families; many are university students. Dr. Vadim Pokrovsky, who directed Russia’s

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<sup>48</sup> Andrew Meier, “The Death of a Nation,” *Time Europe*, 22 January 2000; available from JRL News service.

<sup>49</sup> Ibid.

federal center for the fight against HIV stated, “The HIV epidemic is a tragedy in itself. Far worse will be the eventual depopulation of the country. Not only will those with AIDS die, they will not have children.”<sup>50</sup>

On a macro scale, there is little chance that Russian health problems will spread across Europe like the Black Death. In Kaliningrad, however, the large numbers of people in high-risk groups makes the figure of infected persons per square kilometer much greater than in Russia. There are approximately 940,000 residents in Kaliningrad’s 15,100 square kilometers. Since 70 percent of Kaliningrad is unpopulated farm and woodlands, 95 percent of Kaliningraders live in 4500 square kilometers. Therefore, the population density is roughly 200 people per square kilometer!<sup>51</sup>

The criminal climate of Kaliningrad combined with unemployment, poverty, and a sudden relaxation of social and legal taboos has created an environment where high-risk behavior consumes a large portion of the population. AIDS researcher Dr. Irina Savchenko says, “We are living through a severe crisis of traditional values and a mistaken acceptance of a new culture that is influencing the younger generation. Social circumstances are extremely unstable and economic hardships are taking their toll. Young men, especially, are psychologically open to the idea of taking drugs.”<sup>52</sup> While past AIDS education focused on women, especially prostitutes, as a means of curbing the epidemic, Russian male drug users (of which 80 percent are HIV positive) are more

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<sup>50</sup> Ibid.

<sup>51</sup> Jüri Köll, “North European and Baltic Statistics,” in *The NEBI Yearbook 1999*, ed. Lars Hedegaard (Berlin: Springer-Verlag, 1999) 448.

<sup>52</sup> Kester Klomegah, “Russia Must See AIDS as Issue of National Security,” *St. Petersburg Times*, 1 December 2000; available from JRL News service.

likely to share needles, to resist the use of condoms, and to demonstrate a dangerously cavalier attitude toward sexually transmitted disease.<sup>53</sup> Only about 10 percent of sexually active Russians use condoms although they are widely available. “Sociologists wonder whether young Russian men can change their widely held concepts of masculinity which presently lead them ... to take unacceptable risks.”<sup>54</sup>

Criminal activity, irresponsible behavior, and the concentrated population point to the extraordinary spread of HIV and other communicable diseases in Kaliningrad. By adding the liberal border and visa regime currently in place in Kaliningrad, the free movement of Kaliningraders to Poland and Lithuania creates the true health threat to the Baltic.

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<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

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### **III. REGIONAL STABILITY**

#### **A. SECURITY THROUGH STABILITY**

Stability is a prerequisite for security. Any nation with an unstable domestic situation will inevitably pose a threat to its neighbors through the export of socioeconomic cancers and, sometimes, violence. Instability creates opportunities for crises that can easily spillover to neighboring states. Although it is doubtful that an unstable Kaliningrad will lead to guerilla fighting, it will lead to economic isolation and social deterioration which will, in turn, destabilize the entire region and create an ever-present security threat. The fundamental problem for Kaliningrad is twofold: it must become a stable entity in the Baltic by restructuring and rebuilding its economy and by correcting the social and political problems that plague the tiny Oblast.

#### **B. SOURCES OF INSTABILITY**

##### **1. Social and Political**

##### ***a. Hard and Soft Security Threats***

While admittedly challenging, the difficulties associated with hard security issues in Kaliningrad and the Baltic are not the predominant obstacle to regional stability. Kaliningrad's neighbors, while concerned, do not believe Russia is in a position, politically or militarily, to use armed force as an instrument of policy. Figure 3 quantifies this perception.

While the perceived importance of Russia's military threat does increase when looking to the future, many of this survey's respondents cited the Federation's eventual recovery and the increase in defense spending that will most likely accompany

it. Their position is similar to asking if NATO poses a threat to Switzerland. NATO certainly has the means to inflict great damage on the Swiss state, but it would never take

year	not important	of low importance	of medium importance	of high importance
1999	28%	44%	24%	4%
2010	14%	28%	48%	10%

Figure 3. Perception of Russia as a Military Threat in Northern Europe<sup>55</sup>

such action unless tiny Switzerland grossly violated Article V of the Washington Treaty. The threat is real but the likelihood of action is remote. Likewise, very few believe Russia will use military force to settle Baltic disagreements, including Kaliningrad.

While hard security may not be a serious variable, soft security is a major part of the stability equation. Because the impact of environmental hazards, criminal behavior, and the public health crises are having a visible and measurable effect on Kaliningrad and its neighbors, they serve as a catalyst for destroying the Oblast's stability. Soft security threats present challenges now, today. Regional experts generally agree upon their dangers. Neither Moscow nor Brussels refutes the various reports that describe the current state of affairs in Kaliningrad. What concerns them more, however, are those *potential* social and political sources of instability that will arise from the EU's eastward expansion, especially regarding Poland and Lithuania that surround Kaliningrad.

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<sup>55</sup> Prantl, 15.

### ***b. Movement of People – The Schengen Acquis***

During the 1980's, a European debate opened up about the meaning of free movement of persons. Initially, France, Germany, and the Benelux countries created a territory without internal borders. Dubbed the "Schengen Area" for the Luxembourg town where the five nations signed the agreement, by 1997 the intergovernmental border regime included 13 EU countries. It abolished the internal borders of the signatory states and created a single external border where a single set of rules governs immigration.<sup>56</sup> Essentially, the "...Schengen approach ... is based on a premise that insiders will create policies that outsiders will have to accept."<sup>57</sup>

The introduction of Schengen by Poland and Lithuania will have an impact in terms of their visa requirements and border controls. While the requirement of Schengen will be no different for Kaliningrad than for any other part of Russia, the impact on the population will be greater there than in other parts of Russia, given the location of Kaliningrad. Poland intends to introduce Schengen standards in 2001 and Lithuania at the latest upon accession. This will have implications for transit and travel of persons. Travel, for whatever purpose, to or through EU members requires a visa. Visa-free transit (currently available to Kaliningrad and certain categories of Russian citizens transiting Lithuania) will no longer be possible. In addition, Kaliningrad citizens will be obliged to travel in possession of a valid passport (as opposed to the internal

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<sup>56</sup> "Incorporating the Schengen Acquis into the European Union Framework"; available from <http://europa.eu.int/scadplus/leg/en/lvb/133020.htm>.

<sup>57</sup> Pertti Joenniemi, "Kaliningrad, Borders and the Figure of Europe," in *The EU and Kaliningrad*, eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000), 164.

identity documents which are currently accepted).<sup>58</sup> The EU contends that these border regimes will not necessarily impede the movement of people between Kaliningrad and the rest of Russia and to and from other EU members. The acquis provides for the issuance of transit visas, short-term visas, and long-term national visas allowing for smooth border crossing and the possibility of multiple entries.

However, Kaliningraders increasingly see the EU as an organization that intends to make access more difficult and more expensive than the access they have enjoyed until recently. Currently, only two properly authorized consulates in Kaliningrad can provide the needed visas. Additionally, there is insufficient sensitivity as to whether or not Kaliningrad residents can pay for these visas without difficulties. In a Russian region where people can hardly afford to feed themselves, adding substantial costs to such basic rights as visiting friends and relatives causes undue hardships. In a speech given at Kaliningrad in February 2001, an economic consultant working in the Oblast shared the following story that succinctly demonstrates the problem:

I am traveling between Moscow and Kaliningrad by train. Thus, on Tuesday I paid \$68 to the Belarussian Consulate in Moscow for a transit visa allowing me to sleep on a Russian train as it passes through Belarus. Last August I paid \$30 for the same privilege. A few months before that there was no requirement for a transit visa at all for foreigners in possession of a valid Russian visa.<sup>59</sup>

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<sup>58</sup> Communication from the Commission to the Council.

<sup>59</sup> Stephen Dewar, "Russia, Kaliningrad Oblast and the Baltic Sea Region: An Appeal for Enhanced Cooperation" (speech given during a panel discussion: Cross Border Cooperation in the Baltic Sea Region, Kaliningrad, Russian Federation, 9 February 2001); received text from speaker.

It is reasonable to expect the same phenomenon once the new members initiate the EU visa regime. Further, for Kaliningraders, EU visa policies do not pay adequate attention to the substantial burden these costs and difficulties impose on people involved in legitimate shuttle trading in small-border traffic areas (traffic within areas adjacent to the external border). Shuttle trading accounts for 10 percent of Kaliningrad's GDP and the disruption of these socio-economic ties will be devastating for a significant portion of the population.

The EU steadfastly refuses to accept arrangements emanating from Soviet and post-Soviet practices where identification documents and special permits (*propiska*) replace passports and visas. Such arrangements cannot maintain the integrity of the EU's external border.<sup>60</sup> The Finno-Russian border remains the only relevant comparison to the future common border with Kaliningrad. Finland claims that the EU border regime has proven its worth. It is both flexible and secure. Additionally, Finland invested significant funds to modify its border crossing points, purchase information systems, and train customs personnel. Therefore, it is not surprising that Finland will demand that all acceding countries sharing a common border with Russia adopt a border regime on a par with her own.<sup>61</sup>

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<sup>60</sup> Estonia, a strong candidate for the next round of EU enlargement, has already stopped the visa-free small border traffic between Narva and Ivangorod. Estonia now requires passports, but is ready to issue multiple entry visas without a fee for locals. However, this practice will undoubtedly cease with full EU membership.

<sup>61</sup> Rene Nyberg, "The Baltic as an Interface Between the EU and Russia" in *The EU and Kaliningrad*, eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000) 52-53.

Freedom of movement for Kaliningraders is not a mere convenience; it is a way of life. The ability to transit from one point to another within the same country must be a tenet that the EU embraces. Should Schengen make travel between Moscow and Kaliningrad costly, time consuming and inefficient it is very likely that Moscow could interpret these moves as persecutory and insist on accommodations. Movement of people will be a stability issue for the Baltic in the context of an enlarging EU.

### *c. Energy*

Kaliningrad imports around 80 percent of its energy needs from Russia via Lithuania that results in very significant hard currency costs. Lithuania envisages a link to the central Europe electricity grid by establishing a connection with Poland and disconnecting from the Russian grid. Together with Estonia and Latvia, Lithuania and Poland are integrating their energy markets and networks in order to connect them with those of the EU. These countries will participate in the “Baltic Ring” for electricity, which means that Kaliningrad will be an imported energy-dependent enclave within an integrated EU energy network. Although a pipeline from Russia to Kaliningrad via Lithuania will ease some of the energy pressures, dependence on imported energy will remain a feature for the near future.

Kaliningrad’s total dependence on imported energy can lead to regional stability problems. Energy exporters, mainly Lithuania, expect payment for the goods they provide; and they expect payment in their own currency. Should Kaliningrad fail to pay the bill and Lithuania literally turns out the lights, Moscow’s reaction will be unpredictable. It is bad enough that Kaliningraders will have to live and work in the dark and cold. From a security perspective, energy stoppages could blind the air defenses on

which Russia depends and put the Baltic Fleet at a further disadvantage. Should this scenario unfold after NATO expansion to the Baltics, there is no telling how Moscow will interpret or respond to such an eventuality.

## **2. Economic**

By far the major source of instability is Kaliningrad's miserable economy. This exacerbates all the other current and potential sources because the fight against pollution, crime, disease, visa regimes, and energy supply all require money. A disheveled economy does not produce enough government income to fund the work projects necessary to build the infrastructure, reduce unemployment, train police, pay judges, and protect investors that will, in turn, create social stability, disposable income, and a higher standard of living. The economic development of Kaliningrad is of political necessity and regional stability, not an economic boon for the Russian Federation.

Kaliningrad has been slow to recover from poor economic policies of the last ten years. Additionally, the Oblast is not competitive in the region. With nine countries and dozens of major industrialized areas around the Baltic Rim from which to choose, corporate and individual investors have plenty of options for expansion and growth. Kaliningrad is at the bottom of most lists. Moscow's apparent preference for St. Petersburg over Kaliningrad completes the Oblast's economic handicap. Further, Kaliningrad needs huge expenditures of capital, both human and financial, to bring the economy to a workable and even moderately attractive level.

### ***a. Failed Economic Plans***

When looking at Kaliningrad's current dismal situation, it is easy to see how the catastrophe played out. As Moscow tried to pull the fledgling Russian

Federation out from beneath the shadow of its Soviet forebears, they implemented many ill advised programs that turned out to be either mere gimmicks to lure western money into Russian oligarch's coffers or they were politically defeated before implementation.

Established in 1991, Kaliningrad's Free Economic Zone (FEZ) promised to attract foreign direct investment (FDI) by lowering barriers to entry. Many companies immediately took advantage, including Kia Motors of Korea, and several German, Polish, Lithuanian, and Italian firms. However, within 4 years most abandoned their projects, then-President Yeltsin disbanded the FEZ after a push from the International Monetary Fund (IMF), and the World Bank convinced Moscow that such programs were fiscally irresponsible given Russia's financial situation. In 1996, Kaliningrad won approval for a different program. The Special Economic Zone (SEZ) is a watered down version of its earlier cousin. However, the SEZ simply offers tax concessions and failed to entice the most investors. Technically still in place, the SEZ has not benefited either Kaliningrad or Russia.

Many economists believe regional economical development plans are the preferred method to deal with small, struggling economies. Often times they take the very form of Kaliningrad's FEZ and SEZ. Why, then, was the Kaliningrad version such a miserable failure? The answer is simple: they put the cart before the horse. In other words, Kaliningrad tried to lure investment before any infrastructure necessary to support such capital improvement projects was in place. Table 3 lists the major reasons for the FEZ and SEZ failure and their impact.



Reason for Failure	Impact on Economic Development
Poor Communications Network	Poor road, rail and telecommunications increase costs through inefficiency
Major Environmental Hazards	Increased costs of renovating, building, operating all types of facilities
Unstable Legal Foundation	Prevented any recourse through the courts for criminal activity; prevented clear understanding of permissible vs. prohibited business practices
Balance of Payments	Imports grew to 500% of exports; requirement for natural resources exceeded output and the region as a whole operated at a loss
Tax Management	Incoherent tax code drove up costs as investors were taxed arbitrarily
Political Instability	Governor Gorbenko promoted cronyism that stifled competition, initiative, and creativity
Macroeconomic Instability	Skyrocketing inflation leads to a poor investment climate
No Property Rights	Investors prohibited from owning property; had to pay enormous rents that were translated to consumer costs
Corrupt Bureaucracies	Corruption drives up costs

Table 3. Kaliningrad's Economic Program Failures

***b. Competitive Kaliningrad***

Competition is the engine that drives a market economy. As Table 3 points out, Kaliningrad was not, and is not, competitive. Any state or region with such a poor business environment cannot expect to attract investment and compete with neighboring nations. The World Economic Fund defines competition for nations as "...the ability of a country to achieve sustained high rates of growth in GDP per capita."<sup>62</sup> Certain preconditions must exist to achieve that growth. Essentially Table 3 lists those preconditions as Kaliningrad's failures. By assuming FDI would bring

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<sup>62</sup> "The C-word Strikes Back," *The Economist*, 1 June 1996, 76.

prosperity, Kaliningrad economic planners applied regional development theory in reverse. Kaliningrad had to first meet those preconditions and then the investment, exports, and GDP growth would follow. They are indicators of competitiveness, not tools by which a state becomes competitive. Economic analysts evaluate each area and determine a region's *potential* competitive ability. For example: are communication networks good or bad? Are environmental hazards present or absent? Is the legal foundation stable or unstable? A country's future prosperity depends on its growth in productivity, which government policies can influence. Nations compete in that they

<b>Region/State</b>	<b>FDI per Capita (year)</b>
Hungary	\$1,667 (1998)
Lithuania	\$563 (1999)
Poland	\$260 (1998)
Novgorod	\$128 (1997)
<b>Kaliningrad</b>	<b>\$70 (1999)</b>
Russia	\$63 (1998)

Table 4. Foreign Direct Investment as a Measure of Competitiveness<sup>63</sup>

choose policies to promote higher living standards through successful economic development. The best measure of success or failure of governmental policies in these areas are GDP growth, export growth or FDI. These factors are consequences of a country's competitiveness and not the causes of it. Table 4 shows where Kaliningrad fits as a viable competitor within the region. The paltry FDI in Kaliningrad tells investors what others think of the region. There is not much money coming in. Investors ask, "Why?" The answers range from government corruption to poor road networks. At that point they take their money elsewhere.

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<sup>63</sup> Joenniemi, "Kaliningrad Puzzle," 17.

### *c. Movement of Goods and Transportation Infrastructure*

At present, the Partnership and Cooperation Agreement (PCA) signed in 1994 governs EU-Russia trade relations. Upon accession, Poland and Lithuania will apply the EU common external tariff in trade between Russia and the enlarged EU. Once Poland and Lithuania join, Kaliningrad will be subject to a 4.1 percent EU tariff. That is a reduction from the 15.8 percent Poland charges and the 4.1 percent levied by Lithuania. These lower tariff levels will apply to goods originating in Kaliningrad on the same basis as the rest of Russia. Given its proximity to EU markets this prospect of cheaper access represents an important opportunity for Kaliningrad.<sup>64</sup> Table 5 summarizes the import/export volume between Kaliningrad and its two border nations. From the data provided, it is obvious there will be a significant savings in customs duties, especially on exports to Poland.

At present, goods originating in Kaliningrad, which are destined for Russia, and vice versa, transit through Lithuania and Latvia/Belarus. After enlargement, the PCA will provide free transit through Lithuania and/or Latvia, without customs duties or any other transit duties (other than charges for transport and administration). The PCA will also benefit trade in goods between Russia and the EU, since it grants Russia MFN treatment. When Russia joins the WTO, its rules will apply to EU-Russia trade.<sup>65</sup>

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<sup>64</sup> Communication from the Commission to the Council.

<sup>65</sup> Ibid.

	Kaliningrad exports to:		Kaliningrad imports from:	
	\$ million	Percent of Total	\$ million	Percent of Total
<b>Poland</b>	101.7	26	20.6	17
<b>Lithuania</b>	31.2	8	19.4	16

Table 5. Import/Export Figures for Kaliningrad, Poland, and Lithuania (1997)<sup>66</sup>

It is the transport infrastructure and not the cost transportation that is crippling Kaliningrad's economy. A weak to nonexistent transport infrastructure makes the volume of cargo through Kaliningrad so slight that even low costs cannot work to businesses' advantage.

Kaliningrad's air services are deplorable. As with many other "mini-Aeroflots," Kaliningrad Air Enterprises (KLN) has serious financial difficulties. It has six passenger aircraft and nothing with which to fly cargo. Furthermore, there are inadequate physical facilities to support warehousing and cargo handling operations at the airport. Because there are no scheduled passenger flights to neighboring countries (except 1 per day to Copenhagen) business people cannot easily get in and out of Kaliningrad. The lack of air service is holding back international economic and business relationships. This is a complex and expensive problem to solve; it is having a negative impact on Kaliningrad in an era of global relationships that depend on quick access.<sup>67</sup>

Surface transport infrastructure is in similarly poor condition. Kaliningrad is included in the Trans-European Network (TEN), a system of road and rail routes that link Scandinavia to Russia, the Baltics, Belarus, and Ukraine. Routes I and IX have spurs

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<sup>66</sup> Köll, 450-451.

<sup>67</sup> Stephen Dewar, "Kaliningrad: Key Economic Issues," in *The EU and Kaliningrad*, eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000), 80.

that pass through Kaliningrad and are designed to create a port to port link along the Baltic Sea's eastern shoreline from Tallinn to Gdansk. However, if Kaliningrad does not bring their portion up to standard, goods can bypass the Oblast without affecting any other region. Kaliningrad, then, suffers a double disadvantage: it does not have a competitive transport infrastructure to service transit traffic between Poland and the Baltic States and its transport infrastructure is not essential to the region as a whole. Each country is responsible for financing their portions of these TENs and highway/railway construction and repair is complicated and expensive. Moscow has given funding priority to their portions of the major arteries passing through the country and claim there is nothing available for the Kaliningrad spurs.<sup>68</sup> Kaliningrad needs money to improve roads and rail. If they do not make the changes soon, Poland and Lithuania can bypass or modify the TEN to go around Kaliningrad via their shared border. Should this happen, it sets up the slippery slope. Once cut off from trade routes, revamping Kaliningrad's economy and further developing the Oblast ends.

With a number of ports on the Baltic Sea in Latvia, Lithuania, and Estonia, the USSR was able to distribute deliveries and shipments of cargoes. After the disintegration of the USSR, the only viable commercial port was St. Petersburg. Kaliningrad, of low importance during Soviet times for commercial goods, lost whatever importance it used to have. Kaliningrad has never handled more than four or five percent of total cargo going through the Baltic ports from St Petersburg down to Kaliningrad. Taking account of Finnish ports and Gdansk reduces this share even further. Latvia, for example, handles considerably more inbound and outbound Russian cargo than

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<sup>68</sup> Ibid., 78.

Kaliningrad.<sup>69</sup> While the military aspect of Kaliningrad during the Soviet period contributed to its modest commercial use, inadequate facilities and inattention are to blame for Kaliningrad's negligible role as a Russian import/export hub in post-Soviet times.

The bulk of Russian investment in transport infrastructure around the Baltic rim has gone to St. Petersburg. With little competitive advantage because of transport tariffs, Moscow largely ignored Kaliningrad's economic potential. Instead, St. Petersburg is to become Russia's major transport hub in the Baltic. Work has already started on a new high-speed railway line, on new ports near the city, and on expanding the city's existing seaport.<sup>70</sup> Although the EU has funded a port study for Kaliningrad, Moscow has provided very little development money for the Oblast and has not publicly committed any in the future.

Another transport component that requires large sums of money is Kaliningrad's border crossing points. At present, there are 23 crossing points between Kaliningrad, Poland and Lithuania. The efficient flow of goods between these three areas requires improvement both in physical infrastructure and in processing, including upgraded information systems. The EU is quick to point out the successes enjoyed by Finland and Lithuania's border crossing improvement programs but conveniently ignores the fact that those countries did so at their own, significant, expense. The current fiscal allocations extended from Moscow to Kaliningrad for such projects are non-existent.

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<sup>69</sup> Ibid., 77.

<sup>70</sup> Alexander Alkhimenko, "Secure Development of the St. Petersburg Region: An Imperative, Not an Option," in *The NEBI Yearbook 1999*, ed. Lars Hedegaard (Berlin: Springer-Verlag, 1999) 136.

## C. OBSTACLES AND OPPORTUNITIES

### 1. Russia's Center-Region Relationship

Russia's internal administrative structure has three distinctive types of constituent parts with each enjoying a different set of rights vis-à-vis the federal center.<sup>71</sup> For Kaliningrad this means that it is just one of many similar oblasts. Constitutionally, there is no accounting for its unique geographic and political isolation. Unlike the republics and other larger subdivisions of the Federation, Kaliningrad does not have "national" status; it has no sovereignty clause to act as leverage for the political and economic support it so desperately needs.<sup>72</sup>

Additionally, the disparity in wealth, productivity, and political influence stimulates imbalance across the Federation. Lacking in Russia today is any public or political solidarity to fairly redistribute resources to equalize the different administrative units. Special agreements regulate the division of competence and responsibilities in the regions. Several regions are much more independent than others (e.g. Tatarstan and Bahkortostan) and as a rule Russia's ethnically based republics have more rights than the oblasts. Elected by popular vote, governors of regions and presidents of republics have a strong legitimacy. The most effective tool for Moscow to control them is the federal budget.<sup>73</sup> That the main resource needed for saving Kaliningrad is money and that the

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<sup>71</sup> Igor Leshukov, "The Regional-Centre Divide: The Compatibility Conundrum," in *The EU and Kaliningrad*, eds. James Baxendale and Stephen Dewar (London: Federal Trust for Education and Research, 2000) 125.

<sup>72</sup> Ibid.

<sup>73</sup> Victor M. Sergeyev, "The Nordic Countries and Russia: Prospects for Cooperation," in *The NEBI Yearbook 1999*, ed. Lars Hedegaard (Berlin: Springer-Verlag, 1999) 211-212.

federal center continues to hold the purse strings guarantees Moscow's prominent role in every facet of Kaliningrad's political and economic life.

Further complicating the center-region relationship is President Putin's vision of recreating a strong state. While the effect of Putin's seven new "federal districts" and his newly elected and loyal servants in many key districts remains to be seen, it is obvious that President Putin is intent on returning a significant amount of power to Moscow at the expense of regional governors. Kaliningrad's current Governor, Vladimir Yegorov, is widely held as a Putin man who owes his election victory to the President. Whether or not that loyalty works both ways is unknown. Most likely, Putin will use Yegorov to execute Moscow's plan; it is unlikely that Yegorov will enjoy the same support for innovations he may want to implement.

This situation has a direct impact on the attitudes and decisions of the regional authority. On the one hand, as a Russian exclave, Kaliningrad has many reasons to develop its relations with its neighbors and to improve its compatibility with the surrounding political and economic environment. On the other hand, the benefits and importance of its dependent relationship with the federal center are much more serious and immediate. The principle guiding the relations of the regional authorities with Moscow could be defined primarily as one of feudal loyalty...<sup>74</sup>

## **2. Fear of Separatism**

Many Russians see Kaliningrad as the only remaining trophy of an extremely costly and tragic war. For them, there is an emotional attachment to Kaliningrad. Additionally, after "losing" the three Baltic States with the collapse of the USSR, there is a further impetus to retain a presence in the southeast part of the Baltic littoral. Economic success for Kaliningrad implies integration into western institutions like the

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<sup>74</sup> Leshukov, 129.



EU since Kaliningrad cannot attain the same promise of economic benefit from Russia. As Russian logic goes, once tied to those institutions, it will only be a matter of time before separatist tendencies manifest themselves in a demand for full sovereignty. Indeed, this is not a new notion. As early as 1991, then-Governor Matochkin proposed an autonomous Kaliningrad as a fourth Baltic republic.<sup>75</sup> His plan never materialized and he was hustled out of office shortly thereafter.

Those who fear a Kaliningrad separatist movement only have a convincing argument if they discuss the possibility in the very distant future. It will take at least three generations and myriad other events to build a Kaliningrad culture and identity separate from their Russian cousins. Kaliningrad is 95 percent Russian. Today, to be a “Kaliningrader” has very limited utility. They are Russians first and Kaliningraders second.<sup>76</sup> Further, the Russian military and its base in Baltiisky are intact. Their role in Russian security is irrefutable and, for the immediate future, will be the main obstacle to any separatist movement. Moscow simply will not allow it. Conceivably the future climate can become conducive to Moscow striking a Sevastopol-like deal with Kaliningrad where an *independent* Kaliningrad can host the base at Baltiisky just as an independent Ukraine hosts Russia’s Sevastopol facility. This type of arrangement is not at all uncommon. Many nations maintain basing privileges for their military grounded on historical ties, diplomatic agreements, or mutually beneficial security arrangements.

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<sup>75</sup> Joenniemi, “Kaliningrad Puzzle,” 4.

<sup>76</sup> This statement is derived from interviews with westerners who have lived and worked in Kaliningrad between 1996 and 1999.

During the Yeltsin years, Moscow concluded special treaties with many regions and republics in return for political support. Yeltsin sent a message to the fledgling regions: "...take as much sovereignty as you can..."<sup>77</sup> Some republics went even further and declared outright independence seeking to split from Russia altogether. The Chechen wars and the Tatarstan separatist movement ring prominently in the collective memories of Moscow's politicians.

Although bilateral agreements between the federal center and the regions seem to have dissipated, Moscow's fear of renewed separatists movements reigns supreme. It is this fear that Kaliningrad reformers must heed. The concern about not offending Moscow seems pervasive among regional diplomats. Individual countries and the EU take special care to please Moscow and "...underplay relations with the regions in order not to get caught in rivalry between Moscow and the regions."<sup>78</sup>

During a 1999 Russian-EU summit in Helsinki, then-Foreign Minister Putin presented Russia's engagement strategy for working with the EU. He described Kaliningrad as a "pilot region." On the surface, this may indicate a thawing of Russian separatist fears. A pilot project, however, should include activities that are new for Russia and that Moscow cannot implement throughout the whole country. In other words, "...the term pilot program should denote new endeavors to be tested on Kaliningrad's soil."<sup>79</sup>

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<sup>77</sup> Leshukov, 130.

<sup>78</sup> Lyndelle Fairlie, "Will the EU Use Northern Dimension to Solve the Kaliningrad Dilemma?" Copenhagen Peace Research Institute Working Papers, August 1999, 15; available from <https://www.cccolumbia.edu/sec/dlc/ciao/wps/fal01/fal01.html>.

<sup>79</sup> Leshukov, 134.

### **3. Two Faces of the European Union**

Moscow has several options to deal with Kaliningrad's development. It can address issues unilaterally, bilaterally with individual Baltic nations, engage the wider European Union, or adopt some combination of these three policies. All indications are that Russia intends to court the EU as the primary lender of assistance, both technical and financial. The EU addresses the crucial aspect of security through economic development and political evolution. The EU umbrella, with its myriad programs and funding sources underneath, can help Kaliningrad deal with its democratic consolidation, infrastructure, and economy. It is against this backdrop that many Kaliningrad-watchers propose Russia and the Western democracies adopt joint efforts to resolve the Oblast's many problems and reduce the prospects that at some point they become sources of serious friction.

However, the EU is not interested in assuming this burden. According to Brussels, Kaliningrad is Moscow's problem to solve. EU cooperation will only be within the existing framework of programs and regulations. There will be no special agreement or deal between the EU and Kaliningrad. While the EU is prepared to provide assistance and cooperation, it maintains that the responsibility for finding solutions to Kaliningrad's problems lies solely and entirely with Russia and Kaliningrad.<sup>80</sup> This means that Kaliningrad's approach to finding a way of integrating with the neighboring states in the European economic space will have to be the same as that used by other countries all over the world – developing mutually beneficial trade, investment and business relations.

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<sup>80</sup> Dewar, "Appeal for Enhanced Cooperation."

On one hand, the EU pronounces the dangers inherent in an unstable and destitute Kaliningrad; on the other, it says it will not be the resource provider for correcting those problems. The EU's "Action Plan for the Northern Dimension" lists several functional areas in northern Europe and northwest Russia that need assistance: energy, environment, public health etc. Included in that list is Kaliningrad. The EU explicitly acknowledges Kaliningrad's problems yet has provided only 4-5 million euro per year for mostly technical assistance (consulting, studies, and border crossing improvements).<sup>81</sup>

A simple explanation for the EU's stance is that it would be illegal for the Union to fund Kaliningrad's recovery. Neither Russia nor Kaliningrad is a candidate for EU membership. Nothing in the EU's morass of treaties permits spending the vast sum of money necessary to fix an entity outside its current or potential border. Forcing Moscow to address the Kaliningrad problem is a likely intention of the EU policy. Assuming Moscow appreciates Kaliningrad's dilemma (significant documentation indicates it at least understands the impact of EU enlargement on Kaliningrad) the EU may be forcing Moscow's hand to begin using state funds for the Oblast's recovery instead of waiting for someone else to pay the bill. It could also be that the EU is maintaining its distance from Kaliningrad to avoid becoming embroiled in the center-region struggle. Finally, it could be that Brussels hopes to stimulate further bilateral arrangements between Russia and its neighbors. Kaliningrad enjoys a healthy bilateral relationship with several Baltic nations; as Table 6 points out, many already provide funding. However, this money and the

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<sup>81</sup> Because they are EU candidates, in 2000 Poland and Lithuania received 1.1 billion and 180 million euro respectively. Based on population, land size and GDP, if Kaliningrad was a candidate its share would increase ten times!

<b>Country</b>	<b>€ 000's</b>	<b>Sectors/Projects</b>
European Commission	30,000	Institution building, enterprise restructuring, human resources development
Denmark	10,000	Energy, environment, human resources development
Sweden	4,000	Business development, administrative reform, land reform, disease prevention
Germany	1,000	Education, agriculture, economic development
Finland	>1,000	HIV prevention, environment
Lithuania	>1,000	HIV prevention, civil society development, education
Poland	>1,000	Cross border cooperation
Norway	>1,000	Energy savings
United States	>1,000	Civil society development

Table 6. Technical Assistance in Kaliningrad 1991-1999<sup>82</sup>

products they fund are similar to EU technical assistance rather than substantive infrastructure and economic redevelopment.

Since Moscow cannot fund and the EU will not fund Kaliningrad's capital improvement projects, courting the individual nations around the Baltic Rim is the most promising solution. Every Baltic nation is either a current or an aspiring EU member (Norway is an exception – it is not in the EU and its Baltic connection is more Nordic than Baltic). They all support the Northern Dimension and participate in regional coordination bodies like the Council of Baltic Sea States (CBSS) and the Barents Euro-Arctic Council (BEAC). Therefore, they each have an understanding for and appreciation of Kaliningrad's predicament and the impact inattention can have on their

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<sup>82</sup> Communication from the Commission to the Council.

individual states. During a February 2001 conference at Kaliningrad State University, one speaker outlined a plan for a Kaliningrad development fund.<sup>83</sup> If enacted, the fund will accept monies from interested states and use them to rebuild Kaliningrad's infrastructure. The main point of the fund will be to make all disbursements conditional: on legislative reforms, on matching funds, on total transparency and accountability, etc. While this idea may seem impossible, it is one of the few concrete suggestions that extend beyond rhetoric and outlines action. Kaliningrad needs money, if Brussels and Moscow will not provide it then perhaps the individuals who stand to lose the most will.

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<sup>83</sup> Dewar, "Appeal for Enhanced Cooperation."

## IV. CONCLUSION

With the collapse of the Soviet Union, ancient trading links around the Baltic Sea reopened. The Eastern Baltic once again had an opportunity to join their prosperous western neighbors. Kaliningrad, a geographical and political anomaly, has been unable to resume the role its pre-communist heritage established. Kaliningrad, forever a part of the Russia Federation, could not and cannot return to its place in the socio-economic sphere around the Baltic Rim. It remains a destitute, troubled island in a sea of recovering states.

Fortunately, both Kaliningrad's neighbors and Moscow have finally noticed its plight. In a first for any Federation subject, Kaliningrad actively participates in regional coordination and cooperation bodies like the CBSS and the BEAC. On Kaliningrad's behalf, Moscow arranged bilateral technical assistance to study ways of improving the Oblast's situation and designated Kaliningrad a pilot region for future cooperation with the EU. While technical assistance programs mostly pay for studies and opinions and the pilot program has yet to engage in any new, innovative program, Kaliningrad is at least part of the "Russia plus Europe" equation. Unlike post-WWII and post-USSR, when Kaliningrad was invisible to decision makers, in the 21<sup>st</sup> century Kaliningrad will have a role to play and its unique challenges will become projects for all Baltic nations.

Kaliningrad's role in the hard security posture of Northern Europe and the Baltic is a political, not military, one. All the rhetoric from Moscow about NATO expansion vis-à-vis Kaliningrad is saber rattling. Kaliningrad is indefensible gives Russian policymakers plenty of reasons to oppose NATO expansion, especially to Lithuania. If

NATO were so inclined, it could overrun Kaliningrad regardless of Baltic affiliation with the Alliance. Likewise, Russia could (and its Soviet predecessors did!) sweep through the Baltic States to the sea with or without NATO presence. Tactical nuclear missiles in the Oblast are strategically insignificant. Operationally and tactically, they could cause planners to revise any schemes of military operations in the region. For example, NATO will reevaluate operational plans for Poland's defense under Article V of the Washington Treaty with a view toward Russian nuclear weapons in neighboring Kaliningrad. Kaliningrad is a political pawn in Russia's foreign policy. Moscow is using NATO expansion to justify Kaliningrad's military role and as the substantive argument for inclusion in the EU's Common Foreign and Security Policy (CFSP). Moscow's maintains a hard line, fundamental belief that European security is the Europeans' (of which Russians are part) responsibility. It is a poorly veiled attempt at reducing the U.S. influence in Europe through NATO.

To handle Kaliningrad's soft security threats, the Baltic region has been conducting joint, multi-disciplinary law enforcement operations. From the start, Russia has been one of the most active members of the Task Force. Kaliningrad participated in a series of operations against stolen vehicles (The Kaliningrad project, 1998), drugs (Channel, 1999) and illegal migration (Baltic Guard 1997-98 and VIVAN, 1999). These joint operations contribute to confidence building and improvement of soft security in the Baltic Sea area. While these operations have improved outside perceptions, they have not curbed the crime rate or enticed investors to the region. Joint environmental studies plainly point to the sources of and remedies for the major pollution problem emanating from Kaliningrad. To date, no appreciable cleanup has begun. Self-destructive behavior



and inadequate intervention or education continue to make public health the number one soft security threat from Kaliningrad. Moscow lags behind its European neighbors in funding programs for improving public health. Once again, individual states provide expertise, opinions, and courses of action. None of them has (or even should) funded the Oblast's health system.

Kaliningrad's problems are well known. Its negative impact on the Baltic littoral are largely undisputed, even by Moscow. Not another day is necessary to determine "what is to be done." The solution to Kaliningrad's problems is simple: money. Kaliningrad must develop new industries that provide the goods and services people want to buy on Russian and international markets. It is this process that creates jobs, generates tax revenues and pushes forward the process of creating prosperity and enabling economic development. To achieve this, the primary and overwhelming need is to attract investment, Russian and foreign. Investment means more than just money. It is technologies, equipment, skills, expertise, international business networks, and all the other ingredients necessary to sustain an internationally competitive economy. With the overall Russian economy flailing, Moscow is incapable of providing these resources. The solution requires external involvement.

However, the most resource rich body to assist Kaliningrad, the EU, directed that responsibility for Kaliningrad lies with Russia and the region itself. Although the EU and its future members have an interest in helping to ensure that the changes required by expansion are made smoothly and in fostering cooperation with Kaliningrad on a number of regional issues, it continues to provide only technical assistance. Currently, EU involvement is one of indifference. By throwing money at narrowly focused projects

instead of regional or strategic ones, the EU is inadvertently isolating Kaliningrad. Tempered programs that lack enthusiasm, political support, or supervision destine the Oblast for further stagnation. An isolated Kaliningrad will become a thorn in the side of European unity and community. The proliferation of the socio-economic soft security threats mentioned above will prevent Kaliningrad's neighbors from meeting the same competitive criteria Kaliningrad itself is lacking. If that becomes the case, the region (Lithuania in particular) will have to take measures to lessen the impact Kaliningrad is having on their economic posture. This type of economic warfare will be a direct result of an indifference or isolationist policy, intentional or not.

Integration is the key. The EU must recognize that Kaliningrad is, de facto, a member of the European family. It must be included as an equal partner in a strategy aimed at a regional solutions vice one that addresses states individually. With Kaliningrad treated as a "player" in the development of the Baltic, the EU can proactively reduce certain opportunity costs that will surely result if the west ignores Kaliningrad. The EU must take the initiative. Although it may appear that the EU is giving Russia a "free ride" by absorbing some of the costs associated with making Kaliningrad competitive, a competitive Kaliningrad will better serve not only Russia but the EU partners as well. For if they leave Kaliningrad to smother in its own quagmire, then the constant annoyance to its neighbors in the form of soft security threats will prevent anyone from gaining the prosperity they seek.

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